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DOE FOR T.SPURL, G.PERSON, A.BIENAWSKI, M.SCOTT, L.PARKER

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SUBJECT: SALDANHA: RED AND GREEN PORT MOVES IRON ORE AND CRUDE OIL

REF: Pretoria 351

¶1. (SBU) SUMMARY: South Africa's Saldanha Port processes increasing quantities of bulk commodities iron ore and crude oil, aiming to build up its volumes through a significant expansion, given demand for iron ore in China and elsewhere. Development in and around the Western Cape Saldanha Port has been limited, given its remoteness and scarcity of fresh water, compared to its sister port of Richards Bay in the east. Expansion will depend on close coordination with the inland iron ore mine and the rail company, as well as meeting environmental and economic hurdles. End Summary.

¶2. (SBU) Minerals/Energy Officer and Specialist visited the bulk commodity Port of Saldanha, 150 kilometers north of Cape Town, on February 8, after attending the Mining Indaba meetings. The port is run by the National Port Authority, under state transport company Transnet. Port Manager Eugene Kearns and his team provided a detailed presentation on the operations and vision of Saldanha Port and arranged a comprehensive visit of the jetty, iron ore-loading facilities, and the port vessel tracking system center.

Iron Ore and Bulk Movement - Plans to Expand

¶3. (SBU) The bulk commodity port of Saldanha is focused on the movement of iron ore (38 million tons per year) and crude oil (10 million tons per year). Saldanha takes advantage of the largest natural port in southern Africa and is partly protected by an artificial breakwater. The port cooperates with Transnet Freight Rail in the transport of iron ore 861 kilometers from the Kumba Iron Company mine at Sishen in the Northern Cape. Port officials told Energy Officer the port is in the process of an ambitious two phase expansion for iron ore processing, first to 47 million tons per year, then doubling to 93 million tons per year, currently in feasibility and environmental impact studies.

¶4. (SBU) Port officials showed off their extensive physical facilities to Energy Officer and Specialist. They said the railway is the only combined diesel and electric rail system in the world. The port services thirty-five ore trains per week, each comprising 220 wagons of 100 tons each. Each train is split in two and rolled into the double tippler, which tips two wagons at a time into a conveyor belt system connecting to an expansive storage area,

currently under expansion. Separate conveyer belt systems connect to two iron ore ship berths on the 990 meter jetty. In addition, there is one oil berth and a multi-purpose terminal quay and warehouse for limited "break-bulk" cargo handling.

Oil for the Refinery and Strategic Stocks

15. (SBU) Saldanha is a significant oil handling port for South Africa. Chevron/Caltex imports 8.7 million tons of crude oil per year, piped to its refinery near Cape Town. State oil company PetroSA takes advantage of the forty-nine million barrels of strategic storage capacity to trade crude oil, exporting 2.1 million tons per year. Energy Officer and Specialist observed the huge, secure facilities outside of town, remnants of the go-it-alone strategic stock facilities of the former apartheid regime. The port oil berth can handle the largest Very Large Cargo Carrier (VLCC) vessels. The port has leased out space to Grinnaker (formerly Ferrostal) to construct and operate an oil rig servicing and construction facility, aiming to service the west coast of Africa (reftel).

But Saldanha Port Has Not Met Expectations

16. (SBU) Like Richards Bay in the east, Saldanha was built as a specialized port thirty years ago, but Saldanha has not taken off like Richards Bay. Its remote location and water scarcity have been negative factors. Surrounding development is limited to two steel plants (Arcelor Mittal Steel and Duferco Steel, both also processing iron ore from Sishen) and a titanium sands processing facility.

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A Red and Green Port

17. (SBU) Port officials described environmentally friendly aspects of the port. Dust pollution is mitigated by frequent watering of iron ore storage piles and processing (as well as temporary stoppages in excessively windy conditions), but the Kalahari red color from the iron ore is pervasive on all vehicles and buildings. At the Vessel Tracking System watch-tower at the mouth of the port, port officials showed off the private mussel and oyster aquaculture active around the jetty and port. The port officials shared a number of documents attesting to the environmentally sustainable processes and assurances of the port facility, including equipment and procedures for assuring no oil spillage. Energy Officer and Specialist visited the adjacent national park with pristine beaches and a salt lagoon boasting significant biodiversity.

18. (SBU) COMMENT: The Saldanha port team took visible pride in showing off their port, including its green credentials. The beach behind the hotel where Energy Officer stayed did not appear impeccably clean, but the thriving program for leasing space to aquaculture was visible in the bay. Port officials were bullish about expansion plans, displaying some sensitivity to being the "poor twin sister" to Richards Bay. Successful expansion will depend on meeting environmental hurdles and coordinating closely with Sishen Mine and Transnet Freight Rail.

BOST